

That's all I said, and I think the interpretation of it—while I don't dispute whatever they said, I think that the folks who communicated that to the press were doing it in the light most favorable to their own position. I understand that; that's fair game. But I would caution Senator Rockefeller to not think that I'd left his position. In many ways he's the heart and soul

of this fight for health care. And if we change positions, he and I, we're going to try to do it together.

Thank you.

NOTE: The President spoke at 3:38 p.m. in the Oval Office at the White House.

Message to the Congress on Small Business *February 1, 1994*

To the Congress of the United States:

I am pleased to present my first annual report on the state of small business. This report covers data for fiscal year 1992, a period of slow economic recovery that occurred just before my Administration took office.

Small businesses create many new jobs and are an important part of our Nation's economic growth. That is why, in my first address to the Joint Session of the Congress, I proposed some of the boldest targeted incentives for small business in history. These measures will benefit not only small businesses, but the American work force, our Nation's economy, and our international competitiveness.

At the same time, we must undertake some major corrective efforts. As small business owners will testify, the best thing the government could do for small business and the economy is to reduce the deficit. The primary goal of the economic program is to set the economy on the proper course for the short- and long-term future. Deficit reduction and shifting consumption to investment are the ways to accomplish that goal.

Reducing health care costs while ensuring that all Americans have access to health care is another national imperative. I have said it before: bringing health spending in line with inflation would do more for the private sector than almost any incentive or tax cut we could promote. At the same time, we must find a way to provide health care for everyone. Currently two-thirds of the Americans without health insurance are employed—many in small businesses. My health care task force has evaluated many proposals to ensure that health care is available to small business employees and affordable for small

business owners. It will take time to change our health care system, but we are taking the important first steps.

We will also need to keep looking for better ways to provide for workers upon retirement. As this report documents, pension plans, like health plans, are much less available and affordable in small businesses. And as the baby boom generation moves toward retirement, issues related to Social Security and pension plan availability take on new urgency.

Beyond these long-range efforts, I have asked the Congress to join me in investing in small business and economic growth through specific tax incentives, capital formation initiatives, enterprise and empowerment zones, technology investments, and education and job training efforts.

To encourage long-term investment in small business, I supported—and the Congress passed—a 50 percent tax exclusion on capital gains from investments in qualified small business stock held for at least 5 years. This incentive, which will help small businesses raise critically needed capital, is projected to create 80,000 new jobs over the next 5 years. I also favored such an exclusion for investment in small business venture capital firms targeting investments to minority-owned businesses. Another small business incentive I supported increases the "Section 179" expensing limitation from \$10,000 to \$17,500, which will enable a number of smaller firms to purchase equipment needed for modernization and growth.

My Administration supports easing the regulatory burden on small firms so that more of the time spent filling out paperwork—especially complicated or duplicative paperwork—can be

used for more productive activities. There are a number of measures we can take. We have already simplified the computation of certain taxes such as the alternative minimum tax and we have eased the safe harbor rules related to the individual estimated tax. And we can ensure that Federal agencies comply with the Regulatory Flexibility Act, which requires them to assess the effects of their proposed regulations on small firms.

Recent low interest rates have made resources more available to consumers for purchasing the products and services of American business and have made loans somewhat less expensive for the business community. In addition, I have proposed a number of measures to make capital more available to small business. To ease the "credit crunch" faced by many small firms, new provisions are loosening restrictions on banks so they can more easily make "character" loans, easing appraisal requirements for real estate used as collateral for small business loans, eliminating overlapping Federal regulations on lending institutions, and establishing an appeals process for banks and consumers who believe they have been unfairly treated by regulators.

Small and minority-owned businesses would also benefit from a strengthened system of community development banks. A proposed Community Development Banking and Financial Institutions Fund would support investment in community development financial institutions (CDFIs). These CDFIs would be a source for loans and technical assistance to individuals and businesses in communities underserved by traditional lending institutions.

Another way we plan to support the growth of new small enterprises, especially in economically depressed areas, is through the establishment of empowerment zones, enterprise communities, and rural development investment areas. The zones and communities will be nominated by State and local governments and chosen on a competitive basis after certain criteria based on population, geographic area, and poverty level are met. Businesses in these designated communities can take advantage of expanded tax-exempt financing. Businesses in empowerment zones will be given additional employment credits and tax incentives.

Only by fully developing our technological and human resources can we expect to be leaders in the international marketplace. That means investment in technology and worker skills.

There are a number of actions we can take to remain technologically competitive. We can extend the research and experimentation tax credit to encourage more research activities by American small businesses. I would like to see an expansion of the Small Business Innovation Research program, which, as documented in this report, helps channel Federal research funding to innovative small firms. I support a strong Small Business Technology Transfer program in which small businesses work with Federal laboratories and universities to develop promising technology and introduce it into the marketplace. The manufacturing extension centers we have proposed would help small- and medium-sized businesses evaluate new manufacturing technology. And I'd like to see an expansion of the Commerce Department's Advanced Technology Program, which provides matching grants to companies working on generic technology. Finally, we need to speed up computer networks and coordinate Federal information and telecommunications policy.

We are looking at innovative ways to employ, train, and provide for a work force second to none. To begin with, we have extended the targeted jobs tax credit, which is available to employers who hire economically disadvantaged youth and members of specific at-risk groups. But that is just a small part of a large picture: many State, local, and private groups are experimenting with innovative ways to develop and train a competitive work force for the 21st century.

Clearly, our Nation faces many challenges. Fortunately, we face them with an almost limitless resource—the variety and ingenuity of the American people. If we can meet our national challenges with the energy and innovative spirit of America's small business owners, we will be doing very well. So I encourage the Members of Congress, together with young people and small business owners and all Americans to reach into your imaginations: dream boldly and begin something new.

WILLIAM J. CLINTON

The White House,

February 1, 1994.